

August 2, 2022



RE: 2022 Comment Period | Community Reinvestment Act

To Whom It May Concern:

On behalf of Detroit Future City (DFC), I am pleased to submit this letter for the open comment period on proposed changes to the Community Reinvestment Act. DFC is a “think and do tank,” providing assessable research, engagement & convening and testing & piloting programs centered around 22 with an emphasis on environmental sustainability in neighborhoods and safe, affordable housing. In an economically equitable Detroit, all Detroiters are meeting their unique needs, prospering, and fully and fairly participating in all aspects of economic life within a thriving city and region. Banks play a crucial role in that economic life. Keeping with the spirit of the CRA (Community Reinvestment Act), we compel regulators to assess how mutually beneficial banking, lending and grantmaking is in low and moderate-income communities.

In the Detroit context, the communities’ strengths and growth opportunities are often overlooked by traditional underwriting of loans and philanthropic investments. At DFC we have studied such effects in the mortgage market in our report [Buying In: Opportunities for Increasing Homeownership in Detroit Through Mortgage Lending](#). We found that racial disparities still exist but with more inclusive practices, banks and other lenders could make more loans and/or invest in ways that stabilize and otherwise prepare the market for future lending.

- Denial rates are twice as high for African Americans: In 2020 applicants were denied home purchase loans at twice the rate as white applicants.
- 15% of census tracts had 0 applications. There is an opportunity to better understand the market drivers and unmet need in neighborhoods.
- The leading causes of denial are collateral, credit history and debt-to-income ratio. That means some portion of the challenges and opportunities lie with the borrower and others lie with the housing market. Appraisal bias in Detroit is a serious and consequential issue.

With that in mind, we ask you to consider the following relative to CRA:

1. Center diversity, equity and inclusion in all product design, service delivery and outcomes assessments to achieve mutually beneficial outcomes:

- Consider lending, investing and service to Black, Indigenous and People of Color people (BIPOC), organizations and communities in exams.
- Refine the proposed community development tests to encourage more types of financing and technical assistance to community-based organizations, including BIPOC-led nonprofits.
- Hire bi-lingual staff in communities where non-native English speakers live and work to support banking and lending needs.
- Provide clear denial determinations including resources for corrective measures and strengthen relationships to make strong referrals for more successful corrections.
- Making race a CRA consideration and make race specific goals.
- Ensure that investments in community-driven climate resilience will be credited on the exam and add credits for BIPOC communities due to the increased effect of climate in BIPOC communities.
 - Credit investments into CDFIs (Community Development Financial Institutions) -grants and donations to CDFIs have a profound effect in community and economic development in BIPOC communities and strengthen economies in a way that can benefit the lending environment.

2. Develop place-based tactics and strategies based on qualitative and quantitative data.

- Make the merger review process more rigorous and encourage/incentivize community benefit agreements.
 - Modify exams to encourage more affordable consumer lending and build on the progress in affordable home lending and microbusiness lending.
 - Ensure that investments in community-driven climate resilience will be credited on the exam.
 - Conduct place-based analysis and then address access to bank branches, eliminate banking deserts.
 - Invest in increasing awareness of civil rights in banking and lending.
3. Increase Community Reinvestment Act data transparency to communities and their stakeholders
- Release data on banking, lending and philanthropic investments by race, especially localized information and engage stakeholders in this process.
 - Release race-related outcomes, especially localized information such as banking, lending, and philanthropic investment.
 - Regulators approve all mergers, documents withheld under the Freedom of Information Act (FOIA).
 - Invest in local organizations who can provide wholistic data on community assets and opportunities. Traditional measures of risk miss many would-be homeowners and entrepreneurs.
 - When the data indicates credit was limited or not issued in a specific community, release this information to that community to ensure greater likelihood of corrective measures.
 - Reform the tools that determine credit worthiness, allow for alternative forms of credit, and create greater awareness around credit building tools and resources.

We believe that banking, lending, and investing in BIPOC and low to moderate-income communities is not just the right thing to do but also makes great business sense. Banks and lenders must do more to close their own relationship and knowledge gaps, strengthen their cultural competence and center the environment to ensure greater sustainability in communities and investments.

Sincerely,



Kimberly L. Faison,
Director of Community & Economic Development